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BEFORE THE
U.S. DEPARTMENT OF TRANSPORTATION
WASHINGTON, D.C.

DEPT. OF TRANSPORTATION
DOCKETS

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Application of

AMERICA WEST AIRLINES, INC.

for an exemption from Subparts K and S of
14 C.F.R. Part 93 pursuant to 49 U.S.C.
§ 41718(a) ("beyond perimeter" slot exemptions
for Washington, D.C. (DCA) – Phoenix, Arizona
and DCA - Las Vegas, Nevada service)

Docket No. OST-2000-7181-21

APPLICATION OF AMERICA WEST AIRLINES FOR AN EXEMPTION

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Docket No. OST-2000-7181

APPLICATION OF AMERICA WEST AIRLINES FOR AN EXEMPTION

Pursuant to 49 U.S.C. § 41718(a) America West Airlines, Inc. ("America West") respectfully requests an exemption from the requirements of Subparts K and S of 14 C.F.R. Part 93, for a total of ten new-entrant exemption slots at Ronald Reagan Washington National Airport ("DCA") for "beyond perimeter" service to its hubs at Phoenix, Arizona (PHX) and Las Vegas, Nevada (LAS) and to enable it to provide new and substantial network and low fare benefits from DCA throughout the West. America West will use these slots to provide new, non-stop service with Stage 3 jet aircraft, specifically three daily roundtrips between DCA and PHX and two daily roundtrips between DCA and LAS with 190-seat B-757 aircraft, the largest aircraft that may be operated at DCA with connections throughout the West. The Company is committed to commencing its proposed service within 30 days of an award of slot exemptions.

Introduction

The Wendell H. Ford Aviation Investment and Reform Act for the 21st Century (“Air 21”) in § 41718 requires the Department to grant twelve slot exemptions “on select routes between Ronald Reagan Washington National Airport and domestic hub airports” located beyond the DCA perimeter. The competitive objectives of the new law are expressed in the two key decisional criteria, imposed by Congress, which direct the Department to authorize slots that “provide domestic network benefits in areas beyond the perimeter” and “increase competition by new entrant air carriers or in multiple markets.” America West, as the only major low fare network airline, is uniquely qualified to fulfill these Congressional objectives. Specifically, America West’s broad and deep full service domestic network far exceeds the network of any other post-deregulation airline. Moreover, America West’s network combined with its low fares means it is the only applicant that can vigorously and effectively compete with incumbent carriers in multiple markets to maximize the public benefits envisioned by Congress.

Air 21 provides for only twelve flights or six roundtrips a day beyond the perimeter. This means a maximum number of 1140 daily passengers each way can directly benefit from new beyond perimeter service since the largest aircraft permitted to operate at DCA carry approximately 190 passengers. Therefore, the question is how does the Department use these 1140 daily passengers to maximize the scope of competitive benefits from the limited number of flights? The Department can maximize these benefits by awarding the ten slots requested by America West to establish a competitive pattern of daily frequencies to its two primary hubs of Phoenix and Las Vegas. By this award, the Department will instantly create the first substantial new network of online single connections from DCA to the West by a post-deregulation low-cost, low-fare airline. No other applicant can possibly match the procompetitive impact of

America West's proposed service, which will benefit both business and leisure passengers traveling between DCA and the West.

Today, America West's market share to points beyond the DCA perimeter is only two-percent (2%), by far the lowest of any major network carrier. See Exhibit 1. A new America West network for DCA means immediately creating substantial flexibility for travelers in terms of both times and routings through multiple new one-stop service as well as much needed new price competition to travelers from small, medium and large Western cities. See Exhibit 2. As detailed below, the award of three round trips to Phoenix and two to Las Vegas (including a night flight to DCA) would:

- Bring convenient one-stop service throughout the day to 42 destinations beyond Phoenix/Las Vegas.
- Benefit every traveler in every market included in this network through annual savings of over \$30 million from lower fares directly on America West or indirectly through the competitive impact of this new domestic network on other carriers.
 - In the first year passengers traveling to or from DCA on America West would save over \$18 million.
 - In the first year passengers on other carriers would save over \$12 million.
 - America West's unrestricted business class fares in East Coast-West Coast markets average 43 percent below those of the other major network carriers and similar savings would be available at DCA.
- Fifteen smaller communities would receive first one-stop service to DCA.

For two decades since deregulation, the pre-deregulation incumbent airlines have enjoyed dominating DCA service to the West through multiple connecting flights at their hubs enabling them to collect substantial fare premiums. Today all the major incumbent carriers have far better access to points on America West's Western network than America West itself. See Exhibit 3.

America West's application, if granted in full, offers the Department the rare opportunity to immediately correct this anti-competitive vestige of regulation and promote the public interest by making the optimal use of the very limited number of slots available. Granting America West's application to establish a new highly competitive domestic network presence maximizes the pressure on incumbent network carriers serving the West and, in this way, ensures that all 1.5 million DCA travelers in the 44 markets America West serves will benefit from new competition. *See Exhibit 4.*

Background

America West was one of the first post-deregulation airlines founded as a low-cost, low-fare airline. Of the initial group of pro-competitive new entrants to challenge the incumbents, America West is the only carrier to not only survive but also to achieve major-airline status. Today America West remains the only major full service, low fare network airline. For the last several years America West has been growing at a rate of approximately 10 percent a year. The airline currently operates a fleet of 126 jet aircraft (not including America West Express). During 2000, available seat miles will increase by 8 percent as 12 new aircraft are added to the fleet. Service was initiated in March and April 2000 from Phoenix to Boise, Idaho, Spokane Washington and Hartford, Connecticut and from Las Vegas to Spokane. On May 1st new service was added to New Orleans from Phoenix and in June, Hartford service will be extended to Las Vegas and Columbus. America West Express has announced new service to Oxnard, California to begin on September 5th. With firm orders for an additional 33 aircraft for delivery between 2001 and 2004, America West expects to continue its growth and expand service to more cities from its primary hubs. America West has achieved this growth by focusing on its strength as a

primarily domestic airline that offers the full range of services at highly competitive fares. Indeed, America West has been unique in its ability to provide travelers important network benefits of schedule flexibility and full service, while maintaining a cost structure similar to carriers such as Southwest and passing these cost savings on to consumers. As America West expands service, it will add new network cities in the West that will benefit from service to DCA.

For years America West has sought to expand the benefits of its unique service from the West to DCA and has been the strongest advocate for abolition of the DCA perimeter rule. Its efforts have been stymied until now. The pernicious effect of slot restrictions on competition at DCA (as well as the other high-density airports) has been well documented. As discussed in the General Accounting Office report, *Airline Deregulation: Barriers to Entry Continue To Limit Competition in Several Key Domestic Markets* in October 1996, the perimeter rule at Reagan Washington National Airport restricts competition by new entrants and raises fares, so the full benefits of deregulation have yet to be realized. GAO has specifically noted the pro-competitive impact of America West's service throughout the country and pointed out that America West is the only major carrier that cannot serve its principle hubs from Reagan Washington National Airport. See Statement of John H. Anderson, Jr., Senate Aviation Subcommittee Hearings, May 13, 1997 at 5.

Testimony by America West's Chairman, William A. Franke, before the Senate Aviation Subcommittee on May 13, 1997, supporting the abolition of slots and the perimeter rule, discussed how barriers to competition exist primarily in the upper Midwest and the East, the markets dominated by the pre-deregulation major network carriers, while competition generally flourishes in the West. The testimony noted how the perimeter rules at DCA and New York's

LaGuardia Airport preclude America West from serving its hubs and the West Coast from these airports while in the past, the perimeters were expanded to enable the seven largest pre-deregulation carriers to serve these airports from their primary hubs. Simply put, the pre-deregulation network carriers have been given every possible advantage and today totally dominate connecting service to beyond perimeter points through their existing hubs. See Exhibit 5.

Just last year the National Research Council's Transportation Research Board (TRB) addressed the competitive ramifications of slot controls in its Special Report of August 2, 1999. The TRB Report found increasing opportunities for entry and competition in the domestic airline industry is an important public interest goal, but that the HDR presented a key obstacle to achieving that goal. The TRB Report noted that "high average fares in many city-pair markets involving the hub airports of major airlines have been a recurrent subject of public concern and policy debate during the past two decades . . ." and that "slot-controlled airports consistently are among the highest-priced markets in the country." As noted by Senator John McCain, in his remarks supporting compromise provisions in Air 21, numerous respected studies have shown that "slots and perimeter rules are anticompetitive, unfair, unneeded, and harmful to consumers." 146 Cong. Rec. S12,096 (daily ed. Oct. 6, 1999) (statement of Sen. McCain) (referring to reports by the General Accounting Office, the National Research Council, et al.).

America West's persistent effort to promote legislation to expand the perimeter has now created the opportunity for it finally to gain access to DCA from its primary hubs. America West's proposal offers the Department the opportunity greatly to expand competition in these markets as mandated by Congress. An award to America West will provide the maximum domestic network benefits and new entrant competition in multiple markets. Specifically, an

award to the incumbent major carriers will only strengthen their dominance of the DCA market to points beyond the perimeter rule, which they already reach via high frequency service to their mega-hubs. Beyond perimeter service that has been or may be proposed by those carriers offer consumers nothing new and guarantees that prices from National will remain amongst the highest in the country. An award to new entrants like America West guarantees a change in pricing that will equate to true consumer savings immediately. However, only America West among all new entrant competitors offers large hub-and-spoke systems in Phoenix and Las Vegas, which will extend low fare service to 44 destinations in the West. No other new entrant offers an online network comparable to that provided by America West, or hubs near the size of either Phoenix or Las Vegas. America West's low cost and pricing policies distinguish it from the incumbent major carriers and the size and connectivity of America West's Phoenix and Las Vegas hubs distinguish it from other new entrant competitors. Accordingly, an award to America West will achieve the objectives of Air 21 far better than any other application or combination of applications.

Significantly, grant of America West's application would also substantially promote key public interest factors set forth in the Airline Deregulation Act which are also intended to generally guide the Department's actions in awarding slot exemptions. These factors are:

- Promoting the availability of a variety of . . . economic, efficient, and low-priced services”;
- “Placing maximum reliance on competitive market forces and on actual and potential competition”;
- Avoiding unreasonable industry concentration, excessive market domination, [and] monopoly power;
- Encouraging entry into air transportation markets by new and existing air carriers and the continued strengthening of small air carriers to ensure a more effective

and competitive airline industry.

49 § 40101(a)(4), (6), (10), (13).

Importantly, the Department has itself specifically recognized the competitive value and public interest of authorizing America West to operate from its hubs to slot constrained airports. In 1998, the Department granted five exemption slots to America West to foster competition between O'Hare and America West's primary hub at Phoenix. *See* Order 98-4-21 (Apr. 21, 1998). The Department found the award of these slots would also promote competition to Las Vegas and to cities on the West Coast served through America West's Phoenix hub. In granting its request for Phoenix service, the Department found America West "uniquely disadvantaged" as a major carrier in its ability to serve its principle hubs from high density airports and that the carrier met both the public interest and "exceptional circumstances" statutory requirements. *Id.* at 13. The Department noted that America West's presence in the market would provide a full service low-fare stimulus for travelers to and from O'Hare, the carrier's generally price-competitive effect on fares, which it found "materially lower" in markets America West serve and that additional service to O'Hare would "make significant price competition available for a substantial number of travelers." By awarding the ten slots requested for service to DCA from Phoenix and Las Vegas, America West will be able to provide these same important network and pricing benefits between Washington and the West Coast.

I. America West's Service Proposal Will Provide Frequent Connections From DCA To the West to Uniquely Maximize the Competitive Benefits of the Allocated Slots

America West has carefully designed its application for ten DCA slots. The five round trips a day split between PHX and LAS are necessary to ensure America West has adequate

connecting frequencies in its markets beyond the PHX and LAS hubs to compete effectively for business as well as leisure traffic against the multiple connecting options already available on the incumbent carriers. See Exhibit 4. Currently America West is uniquely disadvantaged in competing with the major incumbents because the latter can reach substantially more points on America West's Western network on a one stop basis than can America West. See Exhibits 3 and 6. Accordingly, America West, as a full-service hub and spoke carrier, has the potential to dramatically enhance competition not only at its important Phoenix and Las Vegas hubs but to 42 beyond destinations. See Map at Exhibit 7. The five daily round trips will also enhance the efficient use of America West's gate at DCA for additional cost savings. The proposed schedule, attached as Exhibit 8, will create these competitive options, importantly while maintaining America West's existing service to Columbus. The Company's application is specifically tailored to uniquely promote the decisional criteria Congress established in Section 41718 to be applied by the Department in selecting the most beneficial use of the few slots made available for beyond perimeter service.

A. Phoenix Service

Phoenix is America West's largest hub with 321 (Fall 2000 schedule) daily departures by America West and America West Express to 80 destinations nation-wide plus service to nine destinations in Mexico and one in Canada. America West and America West Express together enplaned 6.9 million of America West's 16.5 million passengers in 1999 from its Phoenix facilities, which include 44 gates all located within Terminal 4 at Sky Harbor Airport. Reagan Washington National would be America West's 81st destination from Phoenix and increase daily departures to 324. Phoenix is the fastest growing part of the America West network. Departures have increased by 22 percent since summer 1997 from 263 to 321 per day. The Summer 2000

schedule includes an average of 4.6 nonstop flights per day to each domestic jet market served from Phoenix.

America West and America West Express flights to and from Phoenix are organized into 12 different arrival and departure banks. Six of the departure banks have flights heading predominantly to the West while the remaining six banks predominantly head to the East. Each bank has on average 28 different flights departing within a 30 to 45 minute window. America West has chosen to organize its flight schedule in Phoenix to maximize passenger connecting options and network benefits. America West's Phoenix hub provides a vital link to the Western U.S. in general and particularly for many smaller California communities¹ Departure waves allow America West to connect smaller destinations throughout the Southwest with large destinations nation-wide and will enable such connections to DCA.

The specific slot windows at which America West requests slots for Phoenix are: 7:00 a.m., 1:00 p.m., and 5:00 p.m. departures, and 4:00 p.m., 7:00 p.m. and 9:00 p.m. arrivals. DCA to Phoenix departure times were optimized to ensure that the greatest number of passengers and destinations would benefit with three daily round-trip flights.² The schedule proposed for DCA linked to the increase in schedule depth at Phoenix will enable America West to offer consumers a full range of new nonstop and connecting flight options to compete against the established high

¹ Currently America West offers nonstop service from Phoenix to 17 different destinations in California alone. On September 5th Oxnard, California will become America West's 18th destination from PHX in California. Indeed, America West offers many smaller California destinations such as Oxnard their only nonstop service out of the state. America West also offers the only year round scheduled jet service from Monterey and Bakersfield with 50-seat Canadair Regional Jets. America West's hubs and PHX and LAS are critical to maintaining competition against United's dominance in smaller West Coast communities.

² Flight times were selected to maximize flexibility and the most efficient use of America West's existing single gate and ticket counters at Washington National. Existing flights to and from Columbus, Ohio will only need minimal time adjustments to mesh with the five new flights added to Phoenix and Las Vegas.

cost network airlines with their multiple hub systems.

Overall, America West believes that it needs four to six nonstop frequencies to its principal hubs per day in major markets to compete against the established high cost network carrier with their multiple hub systems. America West's application for three daily Phoenix flights and two to Las Vegas will allow five daily connections in most major markets and three to five connections per day in smaller markets. America West believes this is the minimum number of daily connections necessary to mount an aggressive competitive challenge against the DCA incumbents.

B. Las Vegas Service

Las Vegas is America West's second largest hub with 87 flights per day in the summer 2000 schedule. America West is proposing to add two daily round trip flights between its Las Vegas hub and Washington National. America West splits its Las Vegas operation into a day and night system: approximately half of the departures occur between 6:00 a.m. and 8:00 p.m. and the remaining half between 9:00 p.m. and 1:00 a.m. Like Phoenix, flights are organized into departure waves to maximize connectivity and provide nationwide network benefits both during day and night operations. DCA flights are proposed at times to maximize connectivity with destinations throughout America West's growing West Coast network.

For Las Vegas, America West requests 8:00 a.m. and 8:00 p.m. departures and 8:00 a.m. and 9:00 p.m. arrivals. Flights would depart from LAS at 1:30 p.m. and 12:33 a.m. America West's proposed 12:33 a.m. flight from Las Vegas arrives at Washington National at 8:08 a.m. No other airline in Las Vegas can offer nationwide network benefits similar to America West.

Connecting passenger flows allow America West to operate flights that the local Las Vegas market would be otherwise unable to support.

The large number of America West flights departing Las Vegas between 9:00 p.m. and 1:00 a.m. caters to a unique passenger travel pattern in the U.S. on long-haul flights from the West Coast to the East Coast. America West's night system consists of two departure banks. The first bank of 21 flights departs Las Vegas between 11:00 p.m. and 12:00 a.m. and a second bank of 20 flights departs between 12:00 a.m. and 1:00 a.m. each night. DCA would be the 21st departure from the second bank each night. Night flight fares are very low, offering substantial savings to passengers. America West has timed its Las Vegas to DCA red-eye flight so passengers arrive in the East in time to work a full day. Many passengers benefit from further savings by avoiding the need for a hotel room for the last night or first night of their trip. America West notes that the timing of the night flights, with an early arrival and late departure at DCA counters that Airport's emphasis on day flights and reduces congestion at peak travel times. Significantly also, America West's connecting complex in Las Vegas not only gives large West Coast cities a low fare, full-service red-eye option to the East, but also provides long ignored smaller California markets like Bakersfield, Santa Barbara, Oakland, Palm Springs and Sacramento with the convenience of overnight service to the East.

America West's Las Vegas night system has been successful for the carrier and similar service to DCA would be financially viable. For the last 12 months ending January 2000 AWA carried 1.3 million passengers on flights departing Las Vegas after 9:00 p.m. but prior to 2:00 a.m. The average flight operated with a 69 percent load factor. Indeed, night flights to Northeast business destinations from Las Vegas were America West's most popular, operating with a 76-percent load factor for the 12 months ending January 2000. America West expects nonstop

service to Reagan Washington National to be as successful as the rest of its Las Vegas night system due to the combination of a large unserved local market and connecting traffic flows from the Western U.S.³

II. America West's Proposed Service Creates a New Network From DCA that Will Maximize the Benefits Under the Statutory Criteria

As outlined in the Introduction, America West's proposal for five daily nonstop roundtrip flights between DCA and its PHX and LAS hubs is unique because it will create a completely new lower fare, full service domestic network for DCA passengers that will benefit small and mid-sized communities located in the West as well as larger Western cities. As noted below, this service will create new online one-stop service to DCA for a large number of small and medium sized communities in the West that have never had such service because PHX and LAS are ideally located to serve as gateways to DCA for many Western communities. America West's proposed service will increase competition in multiple markets located throughout the West, as well as provide highly sought-after nonstop service for business and leisure passengers travelling between DCA and Phoenix or Las Vegas. In short, America West's proposal will result in the optimal use of ten of the twelve DCA slots made available by Air 21, maximize competition and domestic network benefits, and best serve the public interest.

A. America West Will Use the Requested Exemption Slots to Provide Air Transportation with Domestic Network Benefits in Areas Beyond the Perimeter

Section 41718 lists domestic network benefits beyond the perimeter as the first of the decision criteria. Network benefits means enhancing competition beyond the hub usually on a

³ America West's use of overnight flights from Las Vegas competes vigorously with night flights operated by American, United, Delta, Continental, TWA, Northwest, USAirways to their primary hubs from various West Coast points. For example, United offers nonstop overnight flight service from Los Angeles, San Francisco, San Diego, San Jose, Seattle and Portland to Chicago O'Hare each night.

one-stop basis. See Exhibit 2. These benefits include lower fares, seamless connections and reduced travel time. The Department has recognized that competitive benefits from exemption slot awards at high-density airports are maximized by awarding slots to carriers with significant network support for online, single connections behind the direct services to be operated with such slots. See Order 98-4-21 (Apr. 21, 1998) at 15. Network strength to facilitate online, single connections has been recognized as an important public interest consideration in competitive international route proceedings. See Order 99-4-21 (Apr. 27, 1999) at 9-10; Order 99-1-5 (Dec.18, 1998) at 5-6. America West will provide new network options in every market it touches from DCA. Ninety-three (93) percent of the passengers in those markets are in markets that America West will serve over its network at PHX and LAS. Since America West will be a new network entrant, creating competitive pressures on existing networks, all passengers in these markets will benefit from new competition, whether they fly on America West or another airline. See Exhibits 9,10.

No applicant can provide more new network benefits than America West. Granting America West its requested DCA exemption slots would allow the carrier to now provide competitive one-stop service throughout the day between DCA and the following 42 Western points via PHX or LAS: Albuquerque, New Mexico (ABQ), Anchorage, Alaska (ANC) (seasonal); Aspen, Colorado (ASE), Bakersfield, California (BFL), Boise, Idaho (BOI), Burbank, California (BUR), Carlsbad, California (CLD), Colorado Springs, Colorado (COS), Denver, Colorado (DEN), Durango, Colorado (DRO), El Paso, Texas (ELP), Eugene, Oregon (EUG), Fresno, California (FAT), Ft. Huachuca/Sr. Vista, Arizona (FHU), Flagstaff, Arizona (FLG), Farmington, New Mexico (FMN), Spokane, Washington (GEG), Grand Junction, Colorado (GJT), Lake Havasu City, Arizona (HII), Laughlin, Nevada (IFP), Los Angeles, California

(LAX), Long Beach, California (LGB), Monterey, California (MRY), Montrose, Colorado (MTJ), Oakland, California (OAK), Ontario, California (ONT), Oxnard, California (OXR), Portland, Oregon (PDX), Prescott, Arizona (PRC), Palm Springs, California (PSP), Reno, Nevada (RNO), San Diego, California (SAN), Santa Barbara, California (SBA), San Luis Obispo, California (SBP), Seattle/Tacoma, Washington (SEA), San Francisco, California (SFO), San Jose, California (SJC), Salt Lake City, Utah (SLC), Sacramento, California (SMF), Orange County, California (SNA), Tucson, Arizona (TUS), and Yuma, Arizona (YUM). *See* Chart by state at Exhibit 11.

B. America West's Proposed Service Will Increase Competition by a New Entrant Carrier in Multiple Markets

America West's proposed service uniquely allows the Department to fulfill the second major objective of Air 21 to bring new competition to multiple markets. Certainly, one of the best measures of competitive benefits is the ability of America West, as a post deregulation low-cost network carrier, to lower fares in the markets it serves. DOT has recognized America West's ability to stimulate fare competition in its order granting O'Hare slots and America West's experience at O'Hare reflects the kind of benefits America West anticipates for consumers at DCA.

Specifically, the Department awarded America West five slots at O'Hare to enable America West to increase nonstop service to Phoenix in November 1998 from three to six daily flights. America West's additional flights to Phoenix were an immediate success for consumers. Since adding the three additional flights America West has carried 132,218 more passengers from O'Hare to Phoenix and the West Coast compared to the 15 prior months. Like the DCA proposal, six daily flights allowed America West to offer a competitive level of service and low

fares to Phoenix and beyond points. The flights were carefully scheduled to begin in the early morning with nonstop flights to Phoenix offered every three hours until 7PM. A late evening flight serves America West's Las Vegas connecting hub. This scheduled has allowed America West to offer schedule depth and departure time choices consistent with other major airlines and necessary to establish America West as a viable alternative to consumers in beyond markets. For example, each AWA flight from O'Hare to Phoenix and Las Vegas connects to Ontario, California. Before the slot awards enabling the new service, America West's share of the Ontario - O'Hare O&D market in the 3rd quarter of 1998 was 10 percent. During the 3rd quarter of 1999 America West captured 23 percent of the O&D - - a 13-point increase. United's share of the ORD-ONT market declined from 68 percent in 1998 to 53 percent in the 3rd quarter of 1999. America West's average fare in the ONT-ORD market also decreased from \$179 to \$157 during this same time period, as more passengers were able to take advantage of America West's full service low fare product available throughout the day. America West average fare reported in the DB1A survey is now 39 percent below United in the ORD-ONT O&D.

In addition to Ontario, O'Hare to Phoenix flights connect to 41 different destinations in the Western U.S. plus Canada and Mexico. America West's fares from O'Hare to Phoenix and beyond are significantly less than industry averages - both the local fares to Phoenix and the connect fares to points beyond Phoenix. For the year ending 3rd quarter 1999 America West's average fare between O'Hare and Phoenix was \$151 - \$10 less than the competition and for points beyond Phoenix the America West fare was \$161 versus \$241 on the competition.⁴ In

⁴ It is interesting to note that in the Phoenix to O'Hare market where America West offers nonstop service the average fare is \$152 while to Salt Lake City a market dominated by Delta and United the average fare is \$187 and to Los Angeles a market dominated by American and United the average fare is \$213 (3rd Q 1999 DB1A).

total, the 132,218 passengers have saved at least \$5 million in direct benefits in the last 15 months by flying on America West versus the industry average fares.⁵ Fares to Phoenix are lower due to America West's impact on the market. America West's impact on the O'Hare market has grown with increased flying. As indicated above fares in Ontario decreased further as more service was offered even as the primary competitor increased its fares by 14%. With five new daily flights from Phoenix and Las Vegas to DCA, these same benefits will occur in the DCA market to 43 destinations in the West. Only by awarding AWA all five flights per day can a competitive schedule versus the competition be put in place that will maximize long-term consumer benefits for Reagan Washington National passengers.

Similarly, average fares from Boston and Kennedy to PHX and LAS, where America West offers service, when adjusted for revenue per mile are lower than fares on the incumbents to West Coast cities such as Los Angeles, San Francisco and Salt Lake City. America West's walkup business class fares ("H" class) on its connecting service from the East Coast to West Coast cities averages forty-three-percent (43%) below the lowest walkup fares of the major incumbent network carriers in these markets. *See* Exhibit 12. America West would provide similar savings to business passengers traveling between DCA and Western cities beyond its hubs. In this regard, America West notes that while substantial hub premiums are paid to other major network carriers, America West at Phoenix and Las Vegas actually has a negative average premium of -22.1% so travel through these airports will provide extra savings to passengers. *See* Exhibit 13. Significantly, for all travelers, when competing with other major network carriers,

⁵ America West currently has an application pending for additional Chicago slots so it can begin two new daily flights between O'Hare and Las Vegas to extend the benefits of its low fare full service product.

America West is the lower fare carrier in over three-quarters of the markets between the Northeast and points beyond the perimeter. *See* Exhibit 10.

Overall, for the third quarter of 1999, America West's average fare from the Northeastern business markets to the Western United States was 29 percent lower than market average, which translates into an average passenger savings of approximately \$71.00 per passenger per flight. *See* Exhibit 14. America West expects its fares from DCA to the West to save its customers an average of \$37 per flight. Based on five daily round-trips, the Company projects carrying approximately 491,000 passengers a year resulting in direct consumer savings of approximately \$18.3 million per year. *Id.* In addition, America West's low fares to the West will result in additional benefits as the DCA incumbents respond to this new competition. Based on economic studies on the impact of new competition resulting from new entry, which show a general reduction in the average fare of nine-percent (9%), there would be an indirect benefit for passengers flying on competing airlines of approximately \$11 million. The total direct and indirect benefit at DCA would be almost \$31 million in the first year of service. *See* Exhibit 15. The actual benefit in terms of lower fares could substantially exceed this amount depending on market stimulation and competitive responses by the incumbent carriers.

Importantly, granting America West's requested exemption would allow the Company to provide new one-stop service from DCA to the following fifteen cities where no one-stop service is currently available: Bakersfield, California (BFL), Carlsbad, California (CLD), Eugene, Oregon (EUG), Ft. Huachuca, Arizona (FHU), Flagstaff, Arizona (FLG), Farmington, New Mexico (FMN), Grand Junction, Colorado (GJT), Lake Havasu City, Arizona (HII), Laughlin, Nevada (IFP), Monterey, California (MRY), Oxnard, California (OXR), Prescott, Arizona (PRC), Santa Barbara, California (SBA), San Louis Obispo, California (SBP), and Yuma,

Arizona (YUM). It would also bring the benefits of first time competitive service to the following markets currently serviced from DCA by only one carrier: Burbank, California (BUR), Fresno, California, (FAT), and Long Beach, California (LGB). Thus, allowing America West to serve its hubs from DCA will significantly increase competition in multiple markets and create real competition where it is urgently needed.

C. America West's Service Will Benefit Small Communities and Not Reduce Travel Options for Small Hub Airports and Medium Hub Airports Within the Perimeter

As discussed above, a large number of Western communities would benefit from new, competitive travel options available by connecting through America West's PHX and LAS hubs to DCA. America West notes there is a large demand for service between National Airport and Phoenix and Las Vegas, with significant numbers of Washington-Phoenix and Las Vegas passengers choosing to travel to National Airport via connections, despite the availability of nonstop service at Dulles and BWI.

America West's proposed service will have no direct impact on travel options for communities served by small hub or medium hub airports that are located within the perimeter of National Airport. America West, which has by far the smallest presence of any major network carrier at DCA, has no plans to reduce its existing DCA services to Columbus, Ohio the only airport it is currently able to serve from DCA, as a result of its proposed Phoenix and Las Vegas service. Instead, by offering new competitive nonstop service between Reagan Washington National and Phoenix and Las Vegas, the level of domestic network benefits and competitive service will be enhanced for passengers traveling throughout America West's extensive system including Columbus. Indeed, America West is seeking to expand service at Columbus which will strengthen the Columbus-DCA market.

D. America West's Proposed Service Will Enhance Service Options and Reduce Delays

If America West is allowed to offer its proposed service, it will result in lower elapsed travel times than the current industry best between DCA and many markets. Travel time to America West's hubs of PHX and LAS will be reduced by 68 minutes and 77 minutes respectively over the best available time in the industry. Other examples include Bakersfield, California where elapsed travel time is reduced 90 minutes; Santa Barbara, California where travel time is reduced 91 minutes; Burbank, California with a reduced time of 44 minutes and Yuma, Arizona where travel time is reduced 160 minutes. Indeed, notwithstanding the connections offered by the incumbent network carriers to the West, over twenty-five percent of passengers in markets served by America West beyond the perimeter will have faster travel as well as lower fares than now available on competitors. *See Exhibit 16.*

America West's service will not increase delays or congestion at any airport given the minimal number of flights involved. Instead creating a network through Phoenix and Las Vegas will help to reduce congestion by diverting traffic from many California cities away from the extremely congested airports such as LAX or SFO. Similarly, the use of two slots for the night flight from LAS benefits travelers by providing full schedule flexibility while avoiding operations at times when congestion delays are most prevalent throughout the country. Finally, America West notes that at Phoenix Sky Harbor International Airport a new runway will open in September making it one of the least congested airports in the country.

CONCLUSION

Air 21 creates a limited but critically important opportunity for the Department to create real competition from Ronald Reagan Washington National Airport to multiple beyond perimeter destinations in the West. The Act instructs the Department to award the slots to provide domestic network benefits and spur competition in multiple markets. America West is the only applicant that can offer the network benefits of a major full service hub-and-spoke carrier with the low fares of a new entrant. To maximize these benefits for consumers the Department must grant America West the ten requested slots to provide sufficient frequency depth throughout the day to create strong network competition for the DCA incumbent carriers.

For years, America West as a post deregulation low fare major network carrier has worked without rest to gain access to DCA from its principal hubs of Phoenix and Las Vegas. America West is the only major network carrier that does not have access from its primary hubs to DCA - one of the most important airports in the country for full service major airline service. America West is also the only major network carrier that consistently offers lower fares than its major competitors. Yet it has been unable to bring this important consumer benefit to DCA. Unlike America West, all the major pre-deregulation network carriers have multiple flights to DCA from one or more hubs. Delta has almost 20 flights a day to its hubs. United has approximately 16 flights a day to O'Hare and American has over 31 flights divided between O'Hare, Dallas and Miami. These carriers already offer multiple connecting opportunities to points beyond the perimeter, albeit at substantial fares through their existing hubs.

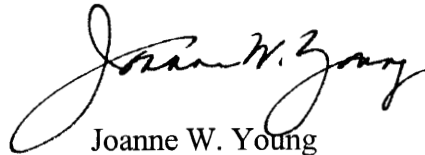
Since Air 21 limits beyond perimeter service to only six roundtrips a day, even utilizing the largest aircraft that can land at DCA, B-757's, the maximum number of passengers who can

directly benefit from these valuable slots is approximately 1140 a day each way. America West's application ensures that the Department will maximize potential consumer gain through service and competitive pressure placed on the incumbents. As detailed above the ten slots requested by America West will enable the Department instantly to create an entirely new major network from DCA to the Western United States by a low fare carrier.

The five requested round trips will maximize competitive benefits of this new network by creating enough frequencies to compete with the dominant incumbents. As discussed above, every passenger in every market served by America West beyond the perimeter will benefit directly or indirectly from the requested award. Two important destinations Phoenix and Las Vegas will receive significant new non-stop service, including the unique night flight from LAS to DCA. Forty-one additional cities will receive completely new or enhanced competition producing almost \$31 million in annual consumer savings. Strengthening America West's presence at DCA will inure to the benefit of its whole system and thus to the benefit of travelers throughout all the markets served by that system. By allowing the Department to maximize the competitive benefits the award will also create new jobs at America West and support service suppliers.

WHEREFORE, pursuant to Air 21, and for the many reasons discussed above, America West respectfully requests that the Department act expeditiously to grant it the 10 exemption slots at DCA for service to its PHX and LAS hubs, and grant such other and further relief, as the Department deems appropriate.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Joanne W. Young". The signature is fluid and cursive, with the first name "Joanne" being the most prominent part.

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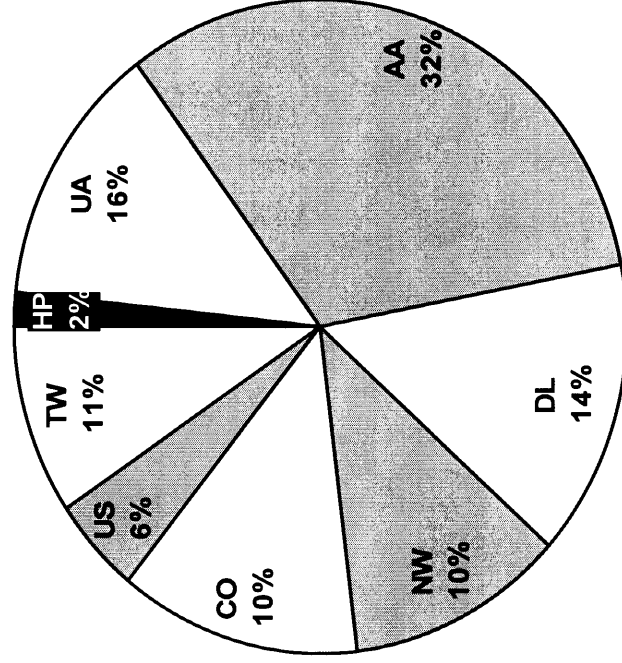
Dated: May 5, 2000

CURRENT COMPETITIVE CONDITIONS



- America West currently has an insignificant share of the DCA market to points beyond the perimeter.

**Major Network Carrier Shares
DCA to Points Outside the Perimeter**



HP'S SUGGESTIONS FOR DEFINITION OF NETWORK BENEFITS



- ☐ The creation of a new network competitor from DCA
 - ☐ HP is the only applicant that would provide NEW network competition (all other network carriers already serve DCA from their hubs)
 - ☐ Every passenger in every market served by a new network competitor benefits from its entry
 - ☐ Independent research suggests that average fares will decline over 9% in all markets in which a NEW competitor enters
- ☐ Evidence that the carrier provides low fare (competitive) service over its network
 - ☐ HP's average fare from the Northeast to points beyond the perimeter are 29% lower than other network carriers
- ☐ Evidence that the carrier will reduce elapsed travel times for consumers
 - ☐ 25% of the passengers in markets served by HP beyond the perimeter will benefit from the availability of faster elapsed times on HP
- ☐ Evidence that most of the benefits are due to one-stop connecting (i.e., network) service available from a new competitor
 - ☐ Over 90% of the passengers in markets served by HP beyond the perimeter will benefit because of new one-stop service



DOT CAN CREATE NEW NETWORK COMPETITION BY GRANTING SLOTS TO AMERICA WEST



HP Western Points That Can Be Served One-Stop: HP vs. Competing Carriers

LOCID	NAME	HP	AA	UA	DL	NW	CO	TW	US
ABQ	Albuquerque, New Mexico	No	Yes	No	Yes	Yes	Yes	Yes	Not Served
ANC	Anchorage, Alaska	No	No	No	No	Yes	No	No	Not Served
ASE	Aspen, Colorado	No	Not Served	No	Not Served	No	Not Served	Not Served	Not Served
BFL	Bakersfield, California	No	No	No	No	Not Served	Not Served	Not Served	Not Served
BOI	Boise, Idaho	No	Not Served	Yes	No	Yes	Not Served	Not Served	Not Served
BUR	Burbank, California	No	Yes	No	Not Served	Not Served	Not Served	Not Served	Not Served
CLD	Carlsbad, California	No	Not Served	No	Not Served	Not Served	Not Served	Not Served	Not Served
COS	Colorado Springs, Colorado	No	Yes	Yes	Yes	Yes	Not Served	Not Served	Not Served
DEN	Denver, Colorado	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes
DRO	Durango, Colorado	No	Not Served	No	Not Served	Not Served	Not Served	Not Served	Not Served
ELP	El Paso, Texas	No	Yes	Not Served	Yes	Not Served	Yes	Not Served	Not Served
EUG	Eugene, Oregon	No	Not Served	No	Not Served	Not Served	Not Served	Not Served	Not Served
FAT	Fresno, California	No	Yes	No	No	Not Served	Not Served	Not Served	Not Served
FHU	Fl. Huachuca/Sr. Vista, Arizona	No	Not Served	No	Not Served	Not Served	Not Served	Not Served	Not Served
FLG	Flagstaff, Arizona	No	Not Served	No	Not Served	Not Served	Not Served	Not Served	Not Served
FMN	Farmington, New Mexico	No	Not Served	No	Not Served	Not Served	Not Served	Not Served	Not Served
GEG	Spokane, Washington	No	Not Served	Yes	No	Yes	Not Served	Not Served	Not Served
GJT	Grand Junction, Colorado	No	Not Served	No	No	Not Served	Not Served	Not Served	Not Served
HIL	Lake Havasu City, Arizona	No	Not Served	No	Not Served	Not Served	Not Served	Not Served	Not Served
IFP	Laughlin, Nevada	No	Not Served	Not Served	Not Served	Not Served	Not Served	Not Served	Not Served
LAS	Las Vegas, Nevada	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
LAX	Los Angeles, California	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
LGB	Long Beach, California	No	Yes	Not Served	Not Served	Not Served	Not Served	Not Served	Not Served
MRJ	Monterey, California	No	No	No	Not Served	Not Served	Not Served	Not Served	Not Served
MTJ	Montrose, Colorado	No	Not Served	No	Not Served	Not Served	Not Served	Not Served	Not Served
OAK	Oakland, California	No	Yes	Yes	Yes	Yes	Not Served	Not Served	Not Served
ONT	Ontario, California	No	Yes	Yes	Yes	Yes	Yes	Yes	Not Served
OXR	Oxnard, California	No	Yes	Yes	Yes	Yes	Not Served	Not Served	Not Served
PDX	Portland, Oregon	No	Yes	Yes	Yes	Yes	Not Served	Not Served	Not Served
PHX	Phoenix, Arizona	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Not Served
PRC	Prescott, Arizona	No	Not Served	Not Served	Not Served	Not Served	Not Served	Not Served	Not Served
PSP	Palm Springs, California	No	Yes	Yes	No	Yes	Yes	Yes	Yes
RNO	Reno, Nevada	No	Yes	No	Yes	Yes	Yes	Yes	Not Served
SAN	San Diego, California	No	Yes	Yes	Yes	Yes	Yes	Yes	Not Served
SBA	Santa Barbara, California	No	No	No	Not Served	Not Served	Not Served	Not Served	Not Served
SBP	San Luis Obispo, California	No	No	No	Not Served	Not Served	Not Served	Not Served	Not Served
SEA	Seattle/Tacoma, Washington	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes
SFO	San Francisco, California	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes
SJC	San Jose, California	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes
SLC	Salt Lake City, Utah	No	Yes	Yes	Yes	Yes	Yes	Yes	Not Served
SMF	Sacramento, California	No	Yes	Yes	Yes	Yes	Not Served	Yes	Not Served
SNA	Orange County, California	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes
TUS	Tucson, Arizona	No	Yes	No	Yes	Yes	Yes	Yes	Not Served
YUM	Yuma, Arizona	No	Not Served	No	Not Served	Not Served	Not Served	Not Served	Not Served

Total Counts:
Points Served and Currently Reachable from DCA 3
Points Served but not Reachable from DCA 41
Points Not Served 0

Source: OAG, April 2000



Not Served: Not a station on the carrier's network

No: Carrier station not reached by carrier from DCA

GRA, Incorporated

Exhibit 3 (Page 1 of 3)

☐ America West is uniquely hampered by the perimeter rule because it cannot reach its own western network.

☐ All other network carriers can already reach more points on America West's network from DCA than America West itself can.

April, 2000

CURRENT ONE-STOP DEPARTURES FROM DCA TO LOS ANGELES



Carrier	Routing	Total	0600	0700	0800	0900	1000	1100	1200	1300	1400	1500	1600	1700	1800	1900	2000	2100
American	DFW	10	1	1	1	1	1	1	1	1	1	1	1	1	2			
	JFK	6	1				1		1	1	1		1					
	MIA	2		1			1											
	ORD	9		1	1		1	1	1	1			1		1		1	
	Total	27																
Continental	CLE	3	1				1			1								
	EWI	5	1						1		1	1			1			
	IAH	7	1		1			1			1	1		1	1			
	Total	15																
Delta	ATL	8		1		1		1		1		1		1	1			1
	CVG	4	1		1					1				1	1			
	DFW	3	1						1					1				
	JFK	1									1							
	Total	16																
Northwest	DTW	5	1			1			1				1					1
	MEM	3	1					1						1				
	MSP	5			1				1		1				1			
	Total	13																
TWA	STL	6	1		1			1			1				1			
	Total	6																
United	ORD	13	1		1	1	1	1	1	1	1	1	1	2	1	1		
	Total	13																
USAirways	CLT	4	1				1				1							
	PHL	3	1	1								1						
	PIT	5		1		1			1			1			1			
	Total	12																



CURRENT ONE-STOP DEPARTURES FROM DCA TO SAN DIEGO



Carrier	Routing	Total	0600	0700	0800	0900	1000	1100	1200	1300	1400	1500	1600	1700	1800	1900	2000	2100
American	DFW	10	1	1	1	1	1	1	1	1	1	1	1	1	1			
	JFK	1																
	ORD	5		1			1		1		1		1		1			
	Total	16																
Continental	CLE	1											1					
	EWB	1		1														
	IAH	5	1	1	1		1			1				1				
	Total	7																
Delta	ATL	3					1				1			1				
	CVG	3	1							1				1				
	DFW	3	1						1					1				
	Total	9																
Northwest	DTW	2	1										1					
	MSP	4	1		1					1				1				
	Total	6																
TWA	STL	4	1			1					1				1			
	Total	4																
United	ORD	6	1	1	1		1			1			1		1			
	Total	6																
USAirways	CLT	1									1							
	PHL	1										1						
	PIT	2										1			1			
	Total	4																



ONLY AMERICA WEST PROVIDES BOTH THE NETWORK AND LOW FARE (COMPETITIVE) BENEFITS CALLED FOR IN AIR 21



Passengers Benefitted

	Low Fare HP Service Available	Faster Elapsed Times Available	New Non-Stop Service Available	New (To the Industry) One-Stop Service Available	New (HP) One-Stop Service Available
Albuquerque, New Mexico	117,832				117,832
Anchorage, Alaska	19,811				19,811
Aspen, Colorado	1,727				1,727
Bakersfield, California	2,046	2,046		2,046	
Boise, Idaho	8,921				8,921
Burbank, California	2,354	2,354			2,354
Carlsbad, California	363	363		363	
Colorado Springs, Colorado	45,672				45,672
Denver, Colorado	149,908				149,908
Durango, Colorado	594				594
El Paso, Texas	30,030				30,030
Eugene, Oregon	1,914	1,914		1,914	
Fresno, California	5,082	5,082			5,082
Ft. Huachuca/Sr. Vista, Arizona	198				198
Flagstaff, Arizona	572	572			572
Farmington, New Mexico	583				583
Spokane, Washington	9,328				9,328
Grand Junction, Colorado	748				748
Lake Havasu City, Arizona	88				88
Laughlin, Nevada	22				22
Las Vegas, Nevada	65,252	65,252	65,252		65,252
Los Angeles, California	180,059	180,059			180,059
Long Beach, California	1,782	1,782			1,782
Monterey, California	2,365	2,365		2,365	
Montrose, Colorado	1,496				1,496
Oakland, California	22,418				22,418
Ontario, California	37,158				37,158
Oxnard, California	374			374	
Portland, Oregon	59,477				59,477
Phoenix, Arizona	85,360	85,360	85,360		85,360
Palm Springs, California	7,425				7,425
Prescott, Arizona				0	
Reno, Nevada	17,556				17,556
San Diego, California	119,295				119,295
Santa Barbara, California	2,508	2,508		2,508	
San Luis Obispo, California	737			737	
Seattle/Tacoma, Washington	116,776				116,776
San Francisco, California	167,563				167,563
San Jose, California	44,407				44,407
Salt Lake City, Utah	80,179				80,179
Sacramento, California	42,097				42,097
Orange County, California	68,200				68,200
Tucson, Arizona	58,564	58,564			58,564
Yuma, Arizona	517	517		517	
Total	1,579,358	408,826	150,612	13,035	1,415,711
	100.0%	25.9%	9.5%	0.8%	89.6%

Passenger counts represent total passengers from DCA to markets indicated.

Source: DB1B, YE1999 Q3.



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Exhibit 4

April, 2000

DOT CAN CREATE NEW NETWORK COMPETITION BY GRANTING SLOTS TO AMERICA WEST



- ☐ America West is the only major **network** carrier that cannot effectively compete from DCA by offering one-stop service through its hubs to points beyond the perimeter.
- ☐ All other network carriers can already serve many points beyond the perimeter, and do so by providing large numbers of flights from DCA to their own hubs.

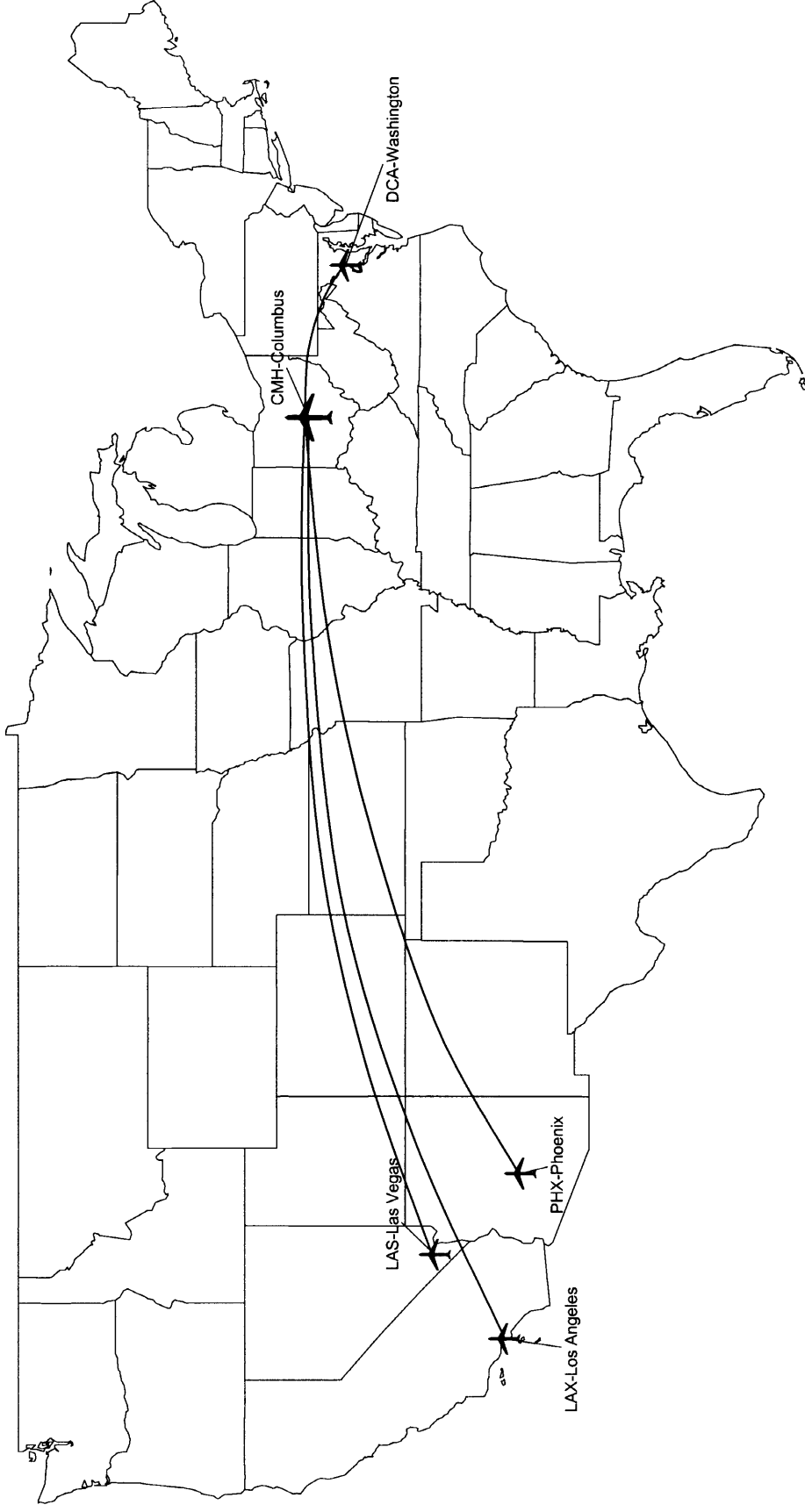
Current Service from DCA

Major Network Carrier	Hubs	Non-Stop Service from DCA		Number of Points Beyond Perimeter Served from Hubs or Other Points
		Number of Daily Flights to Hubs	Number of Daily Seats to Hubs	
AA	ORD, DFW, MIA	31	4,480	36
UA	ORD	16	2,058	21
DL	ATL, CVG, DFW	24	3,412	25
NW	MSP, DTW, MEM	19	2,539	31
CO	IAH, EWR, CLE	21	2,510	33
US	PIT, PHL, CLT	25	2,745	8
TW	STL	7	1,041	20
HP		0	0	3

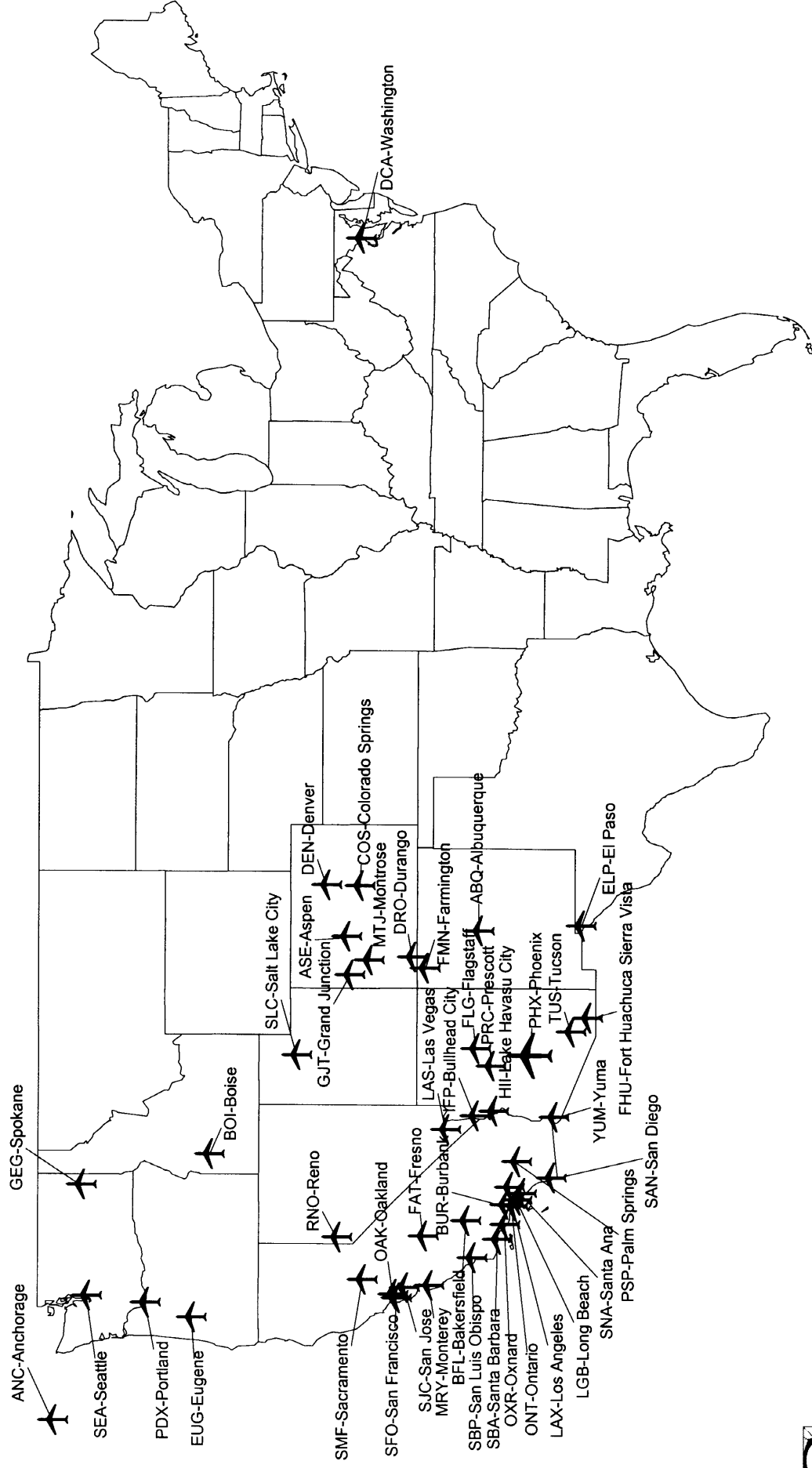
Source: OAG, April 2000



AMERICA WEST: CITIES SERVED BEYOND THE PERIMETER FROM COLUMBUS



AMERICA WEST: CITIES SERVED BEYOND THE PERIMETER FROM PHOENIX HUB



PROPOSED DCA-PHX/LAS SCHEDULE

<u>From Phoenix</u>				<u>From Washington National</u>			
Departs	Arrives	Aircraft	Seats	Departs	Arrives	Aircraft	Seats
9:24	16:44	757	190	7:50	9:45	757	190
12:13	19:33	757	190	13:19	15:14	757	190
14:45	21:55	757	190	16:18**	18:17	757	190

<u>From Las Vegas</u>				<u>From Washington National</u>			
Departs	Arrives	Aircraft	Seats	Departs	Arrives	Aircraft	Seats
0:49	8:14	757	190	8:25	10:30	757	190
13:20	20:55	757	190	20:25	22:34	757	190

*America West has chosen the B757 to operate to and from DCA. Due to the short runway, Boeing 737s cannot operate flights beyond the perimeter rule without significant payload restrictions. The B757 can operate with a full load of passengers and cargo to both Phoenix and Las Vegas.

**DCA departure to PHX at 16:18 could also operate at 18:40.



DOT CAN CREATE NEW NETWORK COMPETITION BY GRANTING SLOTS TO AMERICA WEST



- ☐ Of the 44 markets HP will serve beyond the perimeter if it is granted slots at DCA:
- ☐ HP would be a new competitor in 41 markets—93.2% of the markets
- ☐ HP would improve its service from one-stop to non-stop in two markets (PHX and LAS)
- ☐ HP would add service in ONLY one market—one-stop to LAX



AMERICA WEST IS THE ONLY CARRIER PROVIDING BOTH A NETWORK AND LOW FARES



- ☐ America West is uniquely positioned as both a low fare carrier and a network carrier to provide real service and fare benefits to the greatest number of passengers.
- ☐ When competing with major network carriers, America West is the lower fare carrier in over three quarters of the markets between the Northeast and points beyond the perimeter.

Major Network Carrier	Number of Northeast-Western Markets Shared	Percentage of Markets Where HP Has Lower Average Fare
United	120	95.0%
American	117	86.3%
Delta	102	83.3%
USAirways	50	82.0%
Northwest	89	52.8%
TWA	90	54.4%
Total	568	76.9%

Source: DB1B, Y.E. 1999 Q3

Minimum 1PDEW each carrier

Excludes Frequent Flyer/Complimentary Passengers



NEW CITIES THAT COULD BE SERVED ON A ONE-STOP BASIS BY HP FROM DCA



Alaska	Anchorage
Arizona	Flagstaff Ft. Huachuca/Sr. Vista Lake Havasu City Prescott Tucson Yuma
California	Bakersfield Burbank Carlsbad Fresno Long Beach Monterey Oakland Ontario Oxnard Palm Springs San Diego Santa Barbara San Luis Obispo San Francisco San Jose Sacramento Orange County
Colorado	Aspen Colorado Springs Denver Durango Grand Junction Montrose
Idaho	Boise
Nevada	Laughlin Reno
New Mexico	Albuquerque Farmington
Oregon	Eugene Portland
Texas	El Paso
Utah	Salt Lake City
Washington	Spokane Seattle/Tacoma



AMERICA WEST'S "H" FARES FROM THE NORTHEAST TO THE WEST ARE SIGNIFICANTLY BELOW OTHER LARGE NETWORK CARRIERS' LOWEST WALK-UP FARES



Origin	Destination	America West H Fare	Lowest Walk-Up Fare*	% Discount
BOS	LAX	\$630	\$1,080	42%
BOS	SAN	\$659	\$1,003	34%
BOS	SEA	\$672	\$965	30%
BOS	SFO	\$651	\$1,055	38%
BOS	SJC	\$651	\$1,055	38%
BOS	SNA	\$500	\$1,017	51%
EWL	LAX	\$588	\$1,048	44%
EWL	SAN	\$588	\$1,048	44%
EWL	SEA	\$631	\$1,048	40%
EWL	SFO	\$588	\$1,048	44%
EWL	SJC	\$588	\$1,048	44%
EWL	SNA	\$588	\$1,048	44%
LAX	NYC	\$616	\$1,048	41%
LAX	PHL	\$524	\$1,043	50%
NYC	SAN	\$627	\$1,048	40%
NYC	SEA	\$616	\$1,048	41%
NYC	SFO	\$616	\$1,048	41%
NYC	SJC	\$616	\$1,063	42%
NYC	SNA	\$616	\$1,048	41%
PHL	SAN	\$524	\$1,016	48%
PHL	SEA	\$543	\$1,016	47%
PHL	SFO	\$544	\$1,056	48%
PHL	SJC	\$544	\$1,003	46%
PHL	SNA	\$524	\$989	47%

*Lowest walk-up fare among AA, UA, NW and DL



AMERICA WEST IS THE ONLY CARRIER PROVIDING BOTH A NETWORK AND LOW FARES



- ☐ America West is the ONLY major network carrier with a negative average hub premium according to the latest DOT analysis.

Major Network Carrier	Domestic Hubs	Average Hub Premiums*
America West	Phoenix; Las Vegas	-22.1%
American	Chicago; Dallas	16.8%
Continental	New York; Houston; Cleveland	13.4%
Delta	Atlanta, Cincinnati, Dallas, Salt Lake City	13.9%
Northwest	Detroit, Memphis, Minneapolis	19.1%
TWA	St. Louis	12.0%
United	Chicago, Denver, Washington	16.6%
USAirways	Baltimore, Charlotte, Philadelphia, Pittsburgh	15.6%

Source: US DOT: "Domestic Airline Fares Consumer Report," April 1999

*Average weighted by passenger figures contained in report.



Consumer Savings

America West's average fare from the Northeastern business markets to the western U.S. is 29 percent lower or \$71 per passenger less than the market average fare for the third quarter of 1999.

America West expects its fares from National to the west coast will be similar to what the airline achieves from other Northeast points to the west coast adjusted for stage length when it offers nonstop service to its primary hubs. A stage length adjustment is necessary due to shorter stage lengths from National the west when compared to the Northeast.

America West's average fare of \$172 adjusted for stage length will fall to \$159

Passenger and Revenue Shares from Northeast To Western United States - 3Q 99*

Carrier	Pax	Revenues	Fare	Item Miles	Carrier	Passengers	Revenues	Fare	Item Miles
United	1,572,320	\$ 477,556,010	\$ 304	2,495	American	81,030	\$ 15,033,660	\$ 186	2,379
American	1,080,970	\$ 268,176,540	\$ 248	2,507	United	38,460	\$ 9,371,750	\$ 244	2,344
Continental	670,580	\$ 156,758,450	\$ 234	2,444	Delta	37,860	\$ 8,760,910	\$ 231	2,370
Delta	494,860	\$ 105,587,460	\$ 213	2,389	Northwest	36,350	\$ 6,741,910	\$ 185	2,360
America West	613,100	\$ 105,169,880	\$ 172	2,384	TWA	31,360	\$ 4,898,190	\$ 156	2,264
USAir	366,850	\$ 80,916,390	\$ 221	2,395	Continental	29,220	\$ 4,852,560	\$ 166	2,516
TWA	332,020	\$ 53,506,980	\$ 161	2,421	USAirways	18,320	\$ 3,876,370	\$ 212	2,447
Northwest	252,970	\$ 43,203,420	\$ 171	2,419	America West	9,960	\$ 1,815,230	\$ 182	2,214
Southwest	146,040	\$ 20,781,630	\$ 142	2,310					
Tower	117,880	\$ 16,060,360	\$ 136	2,522					
American Trans Air	24,420	\$ 4,261,450	\$ 175	2,410					
Frontier	16,410	\$ 3,635,490	\$ 222	2,537					
Subtotal	5,688,420	1,335,614,060	\$ 235	NA	Subtotal	282,560	\$ 55,350,580	\$ 196	NA
Other	8,480	2,803,740	\$ 331	NA	Other	1,390	\$ 455,440	\$ 328	NA
Total	5,696,900	\$ 1,338,417,800	\$ 235	2,452	Total	283,950	\$ 55,806,020	\$ 197	2,372

Grand Total

Excluding AWA

AWA vs Industry average excluding AWA

-AWA percent difference vs Industry

-AWA absolute difference vs Industry

\$

(71)

*From BOS,EWR,JFK,PHL,BWI,DCA,IAD To AZ,CA,OR,WA,NV,ID and UT
From DB1A Data for 1999 Q3

* Calculated from average itinerary miles for AWA from National to west versus AWA from Northeast to west- Creates adjustment for shorter passenger journeys from National from from Northeast of 7.2%



April, 2000

Consumer Savings

Direct consumer savings per year will be more than \$18.3 million with America West's incremental five daily flights from National

Current Average Fare from National to west coast - Q3 1999 DB1A \$ 197

Average America West Fare from Northeast to west coast - Q3 1999 DB1A \$ 172

AWA fare from Northeast adjustment factor to National's shorter distance to west coast - stage length adjustment* 93%

Projected AWA average fare to western U.S. from Washington National	\$ 159
Savings Per Passenger - Oneway	\$ 37

Phoenix to Washington National - Three Daily B757 Round-Trips

Passengers Per Year 312,075

Savings Per Passengers \$ 37

Consumer Savings \$ 11,616,149

Savings Per Round-Trip \$ 3,872,050

Las Vegas to Washington National - Two Daily Round Trips

Passengers Per Year 178,792

Savings Per Passengers \$ 37

Consumer Savings \$ 6,655,034

Savings Per Round-Trip \$ 3,327,517

Grand Total - Consumer Savings

Passengers Per Year 490,867

Savings Per Passengers \$ 37

Consumer Savings \$ 18,271,183

Savings Per Round-Trip \$ 3,654,237

* Calculated from average itinerary miles for AWA from National to west versus AWA from Northeast to west- Creates adjustment for shorter passenger journeys from National than from Northeast of 7.2%



April, 2000

PROJECTED CONSUMER BENEFITS DUE TO AMERICA WEST'S ENTRY INTO NEW MARKETS



- ☐ Total number of passengers from DCA to western markets served by HP: 2,159 PDEW
- ☐ Average Fare (all carriers): \$213
- ☐ Average fare change when new entry occurs: -9.2%
- ☐ Total annual benefits to current passengers from new entry by HP: \$30.9 million
 - ☐ Estimate reflects average effect of a new entrant; HP is a low-fare carrier, so true savings are likely understated
 - ☐ Value of elapsed time savings ignored
 - ☐ Value to new consumers (from market stimulation) ignored

Source: Fares and passengers – DB1B, YE 1999 Q3

Fare change due to new entry – Joskow, et al, "Entry, Exit and Performance in Airline Markets," *International Journal of Industrial Organization*, 1994, pp. 457-471.



AMERICA WEST WILL PROVIDE SIGNIFICANT IMPROVEMENTS IN ELAPSED TIMES TO CITIES BEYOND THE PERIMETER



- ☐ Even though the other major network carriers are well-established at DCA, over 25% of the passengers in markets beyond the perimeter served by HP would benefit from faster elapsed times

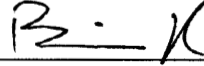
Elapsed Time Savings from DCA on America West vs. Current Industry Best

Current One-Stop Markets			Current Two-Stop Markets		
City	Minutes Saved	Percent	City	Minutes Saved	Percent
Burbank	44	10%	Bakersfield	90	17%
Fresno	23	5%	Carlsbad	92	18%
Las Vegas	77	20%	Eugene	41	8%
Los Angeles	9	2%	Flagstaff	77	17%
Long Beach	22	5%	Lake Havasu City	no two-stop service	
Phoenix	68	19%	Monterey	87	17%
Tucson	4	1%	Santa Barbara	91	18%
			Yuma	160	30%



CERTIFICATE OF SERVICE

I hereby certify that on this 5th day of May, 2000, I caused a true and correct copy of the foregoing Application of America West Airlines for an Exemption to be served by first-class U.S. mail, postage prepaid, upon the parties listed on the following Service List.



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